

CONTRACT #4
RFS # 317.86-024

**Department of Finance
& Administration**

Insurance Administration

VENDOR:
Magellan Behavioral Health



STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
INSURANCE ADMINISTRATION

312 Eighth Avenue North
Suite 2600 William R. Snodgrass Tennessee Tower
Nashville, Tennessee 37243
FAX (615) 253-8556

Dave Goetz
COMMISSIONER

Richard Chapman
EXECUTIVE DIRECTOR

MEMORANDUM

To: James White, Executive Director, Fiscal Review Committee

From: Richard Chapman *[Signature]*

Date: August 9, 2007

RE: Amendment for Magellan Behavioral Health

Please find attached a Non-Competitive Amendment request to add language to the existing contract with Magellan Behavioral Health signed by Commissioner Goetz. The amendment to this contract provides for the extension of the term through December 31, 2008 and continuation at the current rate of compensation. Additionally, the amendment adds responsibilities for the Contractor regarding data interface with the Edison project. The option to extend the contract for up to an additional two years was included in the original contract.

The base contract is included as is a draft of amendment # 1 for your review.

Thank you for your consideration of this request.

RECEIVED

AUG 10 2007

FISCAL REVIEW

REQUEST: NON-COMPETITIVE AMENDMENT

APPROVED

Commissioner of Finance & Administration

Date:

EACH REQUEST ITEM BELOW MUST BE DETAILED OR ADDRESSED AS REQUIRED.

1) RFS #	317.86-024	
2) State Agency Name :	Finance and Administration	
EXISTING CONTRACT INFORMATION		
3) Service Caption :	Employee Assistance Program, Mental Health and Substance Abuse administrative services.	
4) Contractor :	Magellan Behavioral Health	
5) Contract #	FA-05-16160-00	
6) Contract Start Date :	January 1, 2005	
7) <u>Current</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	December 31, 2007	
8) <u>Current</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$25,000,000	
PROPOSED AMENDMENT INFORMATION		
9) <u>Proposed</u> Amendment #	# 1	
10) <u>Proposed</u> Amendment Effective Date : (attached explanation required if date is < 60 days after F&A receipt)	November 1, 2007	
11) <u>Proposed</u> Contract End Date IF <u>all</u> Options to Extend the Contract are Exercised :	December 31, 2009	
12) <u>Proposed</u> Total Maximum Cost IF <u>all</u> Options to Extend the Contract are Exercised :	\$40,000,000	
13) Approval Criteria : (select one)	<input checked="checked" type="checkbox"/> use of Non-Competitive Negotiation is in the best interest of the state <input type="checkbox"/> only one uniquely qualified service provider able to provide the service	
14) Description of the Proposed Amendment Effects & Any Additional Service :		
Extends the contract term for an additional year continuing premium rates in effect during calendar year 2007 and adds additional responsibilities for the Contractor regarding data interface with the Edison project.		
15) Explanation of Need for the Proposed Amendment :		
The option to extend the term was included in the original contract and the Contractor has agreed to maintain premiums in the amount		

in effect during calendar year 2007 for calendar year 2008. The Edison interface must be implemented by January 1, 2008.

16) Name & Address of Contractor's Current Principal Owner(s) :
(not required if proposed contractor is a state education institution)

Magellan Behavioral Health, 2550 Northwinds Parkway, Suite 300, Alpharetta, GA, 30004

17) Documentation of Office for Information Resources Endorsement :
(required only if the subject service involves information technology)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

18) Documentation of Department of Personnel Endorsement :
(required only if the subject service involves training for state employees)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

19) Documentation of State Architect Endorsement :
(required only if the subject service involves construction or real property related services)

select one:



Documentation Not Applicable to this Request



Documentation Attached to this Request

20) Description of Procuring Agency Efforts to Identify Reasonable, Competitive, Procurement Alternatives :

At this time, Benefits Administration is agreeable to the continuation of the current rate negotiated with the Contractor and considers a term extension appropriate, prudent and in the best interest of plan participants.

21) Justification for the Proposed Non-Competitive Amendment :

The premium continuation negotiated with the Contractor is acceptable to the State and the Contractor is willing to accept the data interface requirements with Edison for no additional fee.

REQUESTING AGENCY HEAD SIGNATURE & DATE :

(must be signed & dated by the ACTUAL procuring agency head as detailed on the Signature Certification on file with OCR— signature by an authorized signatory will be accepted only in documented exigent circumstances)

Agency Head Signature

Date

**AMENDMENT ONE
TO CONTRACT NUMBER FA-05-16160-00**

This Contract Amendment is made and entered by and between the State of Tennessee, State, Local Education and Local Government Insurance Committees, hereinafter referred to as the "State", and Magellan Behavioral Health, hereinafter referred to as the "Contractor". It is mutually understood and agreed by and between said, undersigned contracting parties that the subject Contract is hereby amended as follows:

1. The text of Contract Section B.1. is deleted in its entirety and replaced with the following:

B.1. Contract Term. This Contract shall be effective for the period commencing on January 1, 2005 and ending on December 31, 2008. The State shall have no obligation for services rendered by the Contractor which are not performed within the specified period.

2. The text of Contract Section C.1. is deleted in its entirety and replaced with the following:

C.1. Maximum Liability. In no event shall the maximum liability of the State under this Contract exceed Thirty-Two Million Dollars (\$32,000,000). The payment rates in Section C.3 shall constitute the entire compensation due the Contractor for the Service and all of the Contractor's obligations hereunder regardless of the difficulty, materials or equipment required. The payment rates include, but are not limited to, all applicable taxes, fees, overheads, and all other direct and indirect costs incurred or to be incurred by the Contractor.

The Contractor is not entitled to be paid the maximum liability for any period under the Contract or any extensions of the Contract for work not requested by the State. The maximum liability represents available funds for payment to the Contractor and does not guarantee payment of any such funds to the Contractor under this Contract unless the State requests work and the Contractor performs said work. In which case, the Contractor shall be paid in accordance with the payment rates detailed in Section C.3. The State is under no obligation to request work from the Contractor in any specific dollar amounts or to request any work at all from the Contractor during any period of this Contract.

3. The text of Contract Section C.3. is deleted in its entirety and replaced with the following:

C.3. Payment Methodology. The Contractor shall be compensated based on the payment rates herein for units of service authorized by the State in a total amount not to exceed the Contract Maximum Liability established in Section C.1. The Contractor's compensation shall be contingent upon the satisfactory completion of units of service or project milestones defined in Section A. The Contractor shall be compensated based upon the following Service Rates:

EAP – Per Subscriber Per Month Rates

Benefit Option	Plan	PSPM 2005	PSPM 2006	PSPM 2007	PSPM 2008
PPO, POS, and HMO	State	\$1.45	\$1.49	\$1.53	\$1.53
	Local Education	\$1.12	\$1.15	\$1.18	\$1.18
	Local Government	\$1.12	\$1.15	\$1.18	\$1.18

MHSA – Per Member Per Month Rates

Benefit Option	Plan	PMPM 2005	PMPM 2006	PMPM 2007	PMPM 2008
PPO	State	\$1.27	\$1.31	\$1.35	\$1.35
	Local Education	\$1.27	\$1.31	\$1.35	\$1.35
	Local Government	\$1.27	\$1.31	\$1.35	\$1.35

Benefit Option	Plan	PMPM 2005	PMPM 2006	PMPM 2007	PMPM 2008
POS	State	\$1.13	\$1.16	\$1.20	\$1.20
	Local Education	\$1.13	\$1.16	\$1.20	\$1.20
	Local Government	\$1.13	\$1.16	\$1.20	\$1.20

Benefit Option	Plan	PMPM 2005	PMPM 2006	PMPM 2007	PMPM 2008
HMO	State	\$1.13	\$1.16	\$1.20	\$1.20
	Local Education	\$1.13	\$1.16	\$1.20	\$1.20
	Local Government	\$1.13	\$1.16	\$1.20	\$1.20

The Contractor shall submit monthly invoices, in form and substance acceptable to the State with all of the necessary supporting documentation, prior to any payment. Such invoices shall be submitted for completed units of service or project milestones for the amount stipulated.

4. The text of Contract Section C.4.1. is deleted in its entirety and replaced with the following:

C.4.1. Target Claims/Risk Free Corridor: Calculation of the Target Claims and Risk Free Corridor, for use in determining Risk Sharing Percentages (Section C.4.2 below), will be as follows:

- The State, Local Education, and Local Government weighted PPO and POS MHSA Cost PMPM claims will be totaled, for each year as indicated below.

YEAR	CLAIMS, BY PLAN	FOR CLAIMS INCURRED DURING	AND PAID DURING
2005	State, Local Education, and Local Government weighted PPO and POS MHSA Cost Per Member Per Month (PMPM) claims	January 1, 2005 through December 31, 2005	January 1, 2005 through June 30, 2006
2006		January 1, 2006 through December 31, 2006	January 1, 2006 through June 30, 2007
2007		January 1, 2007 through December 31, 2007	January 1, 2007 through June 30, 2008
2008		January 1, 2008 through December 31, 2008	January 1, 2008 through June 30, 2009

- The combined MHSA PPO and POS PMPM cost for each year will be adjusted to arrive at the Target Year PMPM cost by multiplying that cost by the Contractor's Guaranteed Trend Factor contained in the following table.

Contract Year	Contractor's Guarantee Trend Factor
2005	8.0%
2006	8.0%
2007	8.0%
2008	8.0%

- Calculation of the Risk Free Corridor will be determined by calculating the figures 5% below and 5% above the Target Cost.

5. The text of Contract Section E.2. is deleted in its entirety and replaced with the following:

E.2. Communications and Contacts. All instructions, notices, consents, demands, or other communications required or contemplated by this Contract shall be in writing and shall be made by certified, first class mail, return receipt requested and postage prepaid, by overnight courier service with an asset tracking system, or by EMAIL or facsimile transmission with recipient confirmation. Any such communications, regardless of method of transmission, shall be addressed to the respective party at the appropriate mailing address, facsimile number, or EMAIL address as set forth below or to that of such other party or address, as may be hereafter specified by written notice.

The State:

Marlene D. Alvarez, Manager of Procurement and Contracting
Tennessee Department of Finance & Administration
Division of Insurance Administration
312 Eighth Ave. No., 26th Floor WRS Tennessee Tower
Nashville, TN 37243-0295
Telephone # : 615-253-8358
Fax # : 615-253-8556
Email Address: marlene.alvarez@state.tn.us

The Contractor:

Kory J. Krucher, Ph.D., Regional Director of Account Management
Magellan Behavioral Health
2550 Northwinds Parkway, Suite 300
Atlanta, GA 30004
Phone # 678-319-3812
Fax #: 770-753-2295
Email Address: [kikrucher@magellanhealth.com](mailto:kjkrucher@magellanhealth.com)

All instructions, notices, consents, demands, or other communications shall be considered effectively given upon receipt or recipient confirmation as may be required.

6. The following provision is added as Contract Section A.1.6.9.:

A.1.6.9. The Tennessee Insurance System (TIS) is targeted for replacement by the State's Enterprise Resource Planning (ERP) system (operating under the name Edison) on December 31, 2007. This date is subject to change at the State's discretion. The Contractor, in support of this transition, will be required to:

- participate in meetings (phone or on-site), if any, intended for the purpose of planning for the transition and

- convert its electronic data interface with TIS, the Weekly Eligibility Updates (Section A.1.6.2.1), the Quarterly Eligibility Data Reconciliation (Section A.1.6.2.2), and the Eligibility Data Match (Section A.1.6.2.3), to the new Edison HIPAA compliant formats and procedures prior to the Edison "go-live" date.

The revisions set forth herein shall be effective November 1, 2007. All other terms and conditions not expressly amended herein shall remain in full force and effect.

IN WITNESS WHEREOF:

MAGELLAN BEHAVIORAL HEALTH:

RENE LERER, CHIEF OPERATING OFFICER

DATE

PRINTED NAME AND TITLE OF CONTRACTOR SIGNATORY(above)

**STATE OF TENNESSEE,
STATE INSURANCE COMMITTEE,
LOCAL EDUCATION INSURANCE COMMITTEE,
LOCAL GOVERNMENT INSURANCE COMMITTEE:**

M. D. GOETZ, JR., CHAIRMAN

DATE

APPROVED:


**M. D. GOETZ, JR., COMMISSIONER
DEPARTMENT OF FINANCE AND ADMINISTRATION**

DATE

JOHN G. MORGAN, COMPTROLLER OF THE TREASURY

DATE

CONTRACT SUMMARY SHEET

RFS Number:	317.86-024		Contract Number:	FA-05-16166-00		
State Agency:	F&A		Division:	Insurance Administration		
Contractor:			Contractor Identification Number:			
Magellan Behavioral Health			<input checked="" type="checkbox"/> V- <input type="checkbox"/> C-	52-2135463		
Service Description:						
Employee Assistance Program, Mental Health & Substance Abuse administrative services.						
Contract Begin Date:			Contract End Date:			
January 1, 2005			December 31, 2007			
Allotment Code:	Cost Center:	Object Code:	Fund:	Grant:	Grant Code:	Subgrant Code:
				<input type="checkbox"/> on STARS		
FY	State Funds	Federal Funds	Interdepartmental Funds	Other Funding	Total Contract Amount (including ALL amendments)	
2005			13,455,000		13,455,000	
2006			4,015,000		4,015,000	
2007			4,015,000		4,015,000	
2008			3,515,000		3,515,000	
Total			\$25,000,000		\$25,000,000	
CFDA:				Check the box ONLY if the answer is YES.		
State Fiscal Contact			Is the Contractor a SUBRECIPIENT? (per OMB A-133)			
Name:	John Anderson			Is the Contractor a VENDOR? (per OMB A-133)		
Address:	13 th Floor TN Tower, 312 8 th Av No, Nashville, TN			Y		
Phone:	37243			Is the Fiscal Year Funding STRICTLY LIMITED?		
615-741-8642			Is the Contractor on STARS?			
Procuring Agency Budget Officer Approval Signature			Is the Contractor's FORM W-9 ATTACHED?			
			Y			
			Is the Contractor's Form W-9 Filed with Accounts?			
COMPLETE FOR ALL AMENDMENTS (only)			Funding Certification			
	Base Contract & Prior Amendments	This Amendment ONLY				
END DATE →	1-1-05	12-31-07				
FY: 2005	13,455,000					
FY: 2006	4,015,000					
FY: 2007	4,015,000					
FY: 2008	3,515,000					
FY:						
Total	\$25,000,000					

Pursuant to T.C.A., Section 9-6-113, I, M. D. Goetz, Jr., Commissioner of Finance and Administration, do hereby certify that there is a balance in the appropriation from which this obligation is required to be paid that is not otherwise encumbered to pay obligations previously incurred.

PROCESSED
DEC 17 2004

DIRECTOR OF ACCOUNTS

RECEIVED
2004 OCT 25 PM 1:02
COMPTROLLER'S OFFICE
MANAGEMENT SERVICES